

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

IO-10 XMB-02 /094 W

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R 210953Z JAN 75

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 2736

INFO AMCONGEN ASMARA

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E.O. 11652: N/A

TAGS: ECON ET

SUBJECT: EPMG ANNOUNCES NEW SERIES OF PRICE CONTROLS

REF: ADDIS ABABA A-226 OF NOVEMBER 15, 1974 AND PREVIOUS

SUMMARY: BEGIN LIMITED OFFICIAL USE. IN RECENT WEEKS THE EPMG HAS ISSUED A SERIES OF PUBLIC NOTICES CONTROLLING PRICES OF CEREALS, MEAT, TEXTILES AND ALL LOCALLY MANUFACTURED GOODS NOT ALREADY UNDER PRICE CONTROL. ADDIS MERCHANTS ARE TAKING MEASURES CALMLY ALTHOUGH THEY ARE OBVIOUSLY UNEASY, THERE ALREADY ARE SOME REPORTS OF HOARDING AND SHORTAGES, AND WITHIN TEN DAYS THE FULL IMPACT OF THESE CONTROLS SHOULD BE EVIDENT, ESPECIALLY THEIR EFFECTS ON THE SUPPLY SITUATION. SOME OFFICIALS ARE OPPOSED TO THE CEREAL CONTROLS ON THE GROUNDS THAT THEY COULD RESULT IN LOW FARM GATE PRICES, LIMITED CEREAL SUPPLIES IN URBAN AREAS AND INCREASE ILLEGAL CEREL EXPORTS. CHANCES FOR MODIFICATION ARE NOT GOOD, HOWEVER, AS THE DIRG APPARENTLY INSTITUTED THESE LIMITED OFFICIAL USE

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CONTROLS PRIMARILY FOR POLITICAL REASONS AND SEEMS CONFIDENT

THAT IT HAS THE AUTHORITY AND POWER TO MAKE THEM WORK. END
SUMMARY. END LIMITED OFFICIAL USE.

1. ON JANUARY 4 THE ADDIS ABABA PCCE CONTROL COMMITTEE REVISED WHOLESALE AND RETAIL PRICE CEILINGS ON LOCAL CEREALS AND GRAINS. WHOLESALE AND RETAIL PRICES FOR 100 KGS OF FIRST CLASS (WHITE) TEFF ARE NOW ETH\$34 AND ETH\$36 (US\$1 EQUALS ETH\$2.05) RESPECTIVELY. THESE PRICES HAD BEEN ETH\$40 AND ETH\$48. ACCORDING TO THE COMMITTEE, THE INTERESTS OF CONSUMERS AND SMALL FARMERS WERE TAKEN INTO CONSIDERATION IN SETTING THESE CEILINGS. IN ADDITION ALL GRAIN DEALERS MUST NOW HAVE TRADING LICENSES, AND TRADERS FOUND CHARGING PRICES ABOVE CEILING PRICES WILL " BE REGARDED AS OPPOSING THE PHILOSOPHY OF 'ETHIOPIA TIKDEN'" AND BROUGHT BEFORE THE SPECIAL MILITARY TRIBUNAL.

2. THE MINISTRY OF COMMERCE, INDUSTRY AND TOURISM (MCIT) ON JANUARY 11 BROUGHT BEEF, MUTTON, GOAT, CHICKENS AND EGGS UNDER PRICE CONTROLS. ACCORDING TO A MCIT PRESS RELEASE, THIS STEP WAS TAKEN " BY ORDER OF THE PROVISIONAL MILITARY ADMINISTRATIVE COUNCIL" BASED ON RECOMMENDATIONS OF A SPECIAL COMMITTEE ESTABLISHED TO STUDY MEAT PRICES. FURTHER, MEAT EXPORTS WOULD BE ALLOWED ONLY AFTER LOCAL DEMAND WAS SATISFIED. THIS LATTER POINT APPEARS TO CONTRADICT A PMAC ORDER ISSUED JANUARY 4 WHICH REMOVED RESTRICTIONS ON LIVESTOCK EXPORTS, IMPOSED LAST YEAR IN AN ATTEMPT TO ENSURE ADEQUATE MEAT SUPPLIES FOR THE LOCAL MARKET.

3. MCIT ISSUED A PUBLIC NOTICE ON JANUARY 13 ESTABLISHING A WHOLESALE AND RETAIL PRICE LIST FOR ALL LOCALLY MANUFACTURED COTTON TEXTILES. THE PMAC TOOK THIS STEP ON THE RECOMMENDATION OF A SPECIAL COMMITTEE SET UP TO STUDY THE MARKETING OF LOCAL TEXTILES. THESE PRICES APPLY TO ADDIS ABABA, TO PROVINCIAL CAPITALS AND IN "ALL CITIES ON HIGHWAYS THROUGH WHICH GOODS ARE TRANSPORTED FROM TOWNS WHERE THE GOODS ARE PRODUCED TO SAID PROVINCIAL CITIES". IN THOSE AREAS WHERE THE UNIFORM PRICES DO NOT APPLY, LOCAL PRICE CONTROL COMMITTEES WILL DETERMINE THE RETAIL PRICE BY ADDING THE ADDITIONAL COSTS (PRIMARILY FOR TRANSPORTATION) TO THE UNIFORM PRICE. MANUFACTURERS ARE TO PRODUCE " QUANTITIES SUFFICIENT TO SATISFY LIMITED OFFICIAL USE

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LOCAL DEMAND AND (THEY) MAY NOT DISTURB THE EQUILIBRIUM OF THE MARKET".

4. ON JANUARY 14, MCIT ISSUED ANOTHER PUBLIC NOTICE CONTROLLING PRICES OF LOCALLY MANUFACTURED ITEMS "HITHERTO NOT SUBJECT TO PRICE CONTROL". (ACCORDING TO MCIT SOURCES THIS DOES NOT APPLY TO LOCALLY MANUFACTURED GOODS FOR EXPORT.) SUCH ITEMS MAY NOT BE SOLD AT PRICES EXCEEDING

THOSE EXISTING ON JANUARY 14. LISTS OF PRESENT PRICES AND THOSE PREVAILING SIX MONTHS PRIOR TO THIS ANNOUNCEMENT MUST BE SUBMITTED TO THE PRICE CONTROL DEPARTMENT OF MCIT. THE CONTROLLED PRICES APPLY IN ADDIS ABABA, PROVINCIAL CAPITALS, AND CITIES WHERE THE GOODS ARE PRODUCED PLUS OTHER LOCALITIES DETERMINED BY MCIT. MCIT WILL ALSO FIX DISCOUNTS ON RETAIL PRICES TO WHOLESALERS AND RETAILERS.

5. COMMENT. BEGIN LIMITED OFFICIAL USE. IN LESS THAN TWO WEEKS, THE EPMG HAS DRAMATICALLY EXPANDED ITS PRICE CONTROL EFFORTS. THE MARKET REACTION IS STILL UNCLEAR ALTHOUGH THUS FAR CALM SEEMS TO PREVAIL AMONG ADDIS CEREAL, MEAT AND TEXTILE MERCHANTS. WITHIN TEN DAYS THE FULL IMPACT OF CONTROLS, ESPECIALLY ON MEAT AND CEREAL SUPPLIES, SHOULD BE EVIDENT, THERE ARE REPORTS OF SOME CEREAL MERCHANTS HOARDING OR REFUSING TO SELL MERCHANDISE ALREADY IN STOCK. HOWEVER, DIRG REPRESENTATIVES HAVE BEEN IN THE CEREAL MARKET IN RECENT DAYS TO ENFORCE THE CONTROLLED PRICES. ALSO SOME TEXTILE MERCHANTS HAVE REPORTEDLY CLOSED THEIR DOORS, AND EGGS ARE REPORTEDLY ALREADY WIDELY UNAVAILABLE AT THE NEWLY PEGGED PRICE.

6. OFFICIALS IN THE MINISTRY OF AGRICULTURE, THE GRAIN BOARD AND GRAIN CORPORATION ARE OPPOSING CEREAL PRICE CONTROLS. THE MINISTER OF AGRICULTURE REPORTEDLY CAME CLOSE TO RESIGNING BECAUSE HE WAS NOT CONSULTED ABOUT THEM, AND MAY YET DO SO. OFFICIALS HAVE RECENTLY HAD MEETINGS WITH NATIONAL ADVISORY COUNCIL AND DIRG REPRESENTATIVES IN WHICH THEY URGED THAT CEREAL PRICE CEILINGS BE MODIFIED. OFFICIALS ARE CONCERNED THAT THESE MEASURES AS THEY NOW STAND MAY LOWER PRICES TO FARMERS, DRY UP CEREAL SUPPLIES FOR THE URBAN MARKET AND INCREASE ILLEGAL CEREAL EXPORTS OF ADDIS A-150 OF 6/14/74). WHILE STILL HOPEFUL ABOUT LIMITED OFFICIAL USE

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MODIFYING THE CONTROLS, OFFICIALS ARE NOT OPTIMISTIC ABOUT THEIR CHANCES OF SUCCESS. IN THE PRELIMINARY MEETINGS ESTABLISHING CEREAL CONTROLS DIRG REPRESENTATIVES MADE QUITE CLEAR WHAT TYPE OF CONTROLS THEY WISHED, AND ANSWERED ARGUMENTS ABOUT THE LIKELY RESULT OF PRICE CONTROLS (I.E. SMUGGLING, BLACK MARKET ACTIVITIES) WITH THE ASSERTION THAT THE MILITARY WOULD ENFORCE THEM.

7. MCIT'S PRICE CONTROL DEPARTMENT IS NOW IN A DIFFICULT POSITION. ACCORDING TO THE NEW HEAD OF THE DEPARTMENT, HE WAS UNDER A GOOD DEAL OF DIRG PRESSURE TO GET OUT THE NITICES DESCRIBED IN PARAS 3 AND 4 ABOVE. HE SAID THAT THE NEW CONTROLS WERE APPLIED FOR POLITICAL REASONS (E.G., TO KEEP THE URBAN POPULATION HAPPY) AND MADE HIS JOB "IMPOSSIBLE". ALSO HE SAID THAT MEAT AND CEREAL

PRICE CONTROLS WERE A "MISTAKE" AND HOPE THESE WOULD BE
REMOVED THROUGH OTHER AGENCIES (I.E., GRAIN BOARD AND
LIVESTOCK AND MEAT BOARD) ARE RESPONSIBLE FOR ADMINISTRATERING
THEM.
WYMAN

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Draft Date: 21 JAN 1975
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Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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